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**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY**

1850 M Street, N.W., Suite 1100
Washington, DC 20036

July 2, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Re: CC Docket No. 96-262

Dear Mr. Caton:

On July 1, 1997, Leon Kestenbaum, Jay Keithley, Jim Appleby and I, on behalf of Sprint Corporation, met with Richard Lerner, Douglas Slotten and Richard Cameron, of the Common Carrier Bureau's Competitive Pricing Division, to discuss certain issues arising from the Commission's First Report and Order in the referenced proceeding (FCC 97-158, released May 16, 1997). Many of Sprint's remarks did not go to the merits of any particular position, but instead pointed out administrative problems and ambiguities raised by the Report and Order. The topics Sprint discussed are described below.

With respect to the application of MOU charges on 800 calls, Sprint raised the question whether, in the case of 800 services provided over common lines, the terminating MOU charge should apply on the originating end of the call. Sprint assumed that the Commission had no intention to deviate from the existing rule, which requires that on such calls, the terminating MOU charge applies to the terminating end of the call and the originating MOU charge applies to the originating end of the call, and pointed out that this will require submission of appropriate data from IXC's to originating LEC's to let them know the percentage of 800 traffic terminating on common lines.

Second, Sprint pointed out that the statement in paragraph 142 of the Report and Order, that LEC's assess a full minute of originating access charges on uncompleted calls, is incorrect. Third, Sprint pointed out that the Report and Order does not address how the PICC should be applied in cases where there are two primary interexchange carriers, one handling interLATA interstate calls and the other handling intraLATA interstate calls. Fourth, Sprint observed that the rate development rules for the PICC differ from those

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used to compute the SLC, in that the PICC rate is to be based on base period revenue requirements divided by forecast loops, whereas the SLC rate is based on forecast revenue and forecast loops. Sprint pointed out that the PICC would fail to reflect costs associated with the increase in the number of loops provided by LECs.

Sprint raised a number of other administrative and clarification issues with respect to the PICC charges, including (a) whether they apply to lines used by enhanced service providers; (b) the administrative difficulty the LECs have in differentiating between primary and non-primary residential lines; (c) the IXCs' need for detailed data from LECs regarding the number and type of PICCs charged for each end user customer; and (d) the question of how a LEC should determine, in the case of residential subscribers having lines PICCed to more than one IXC, which line should be regarded as the primary line and which line or lines should be regarded as non-primary.

Sprint raised an additional issue regarding the calculation of the SLC in circumstances where the LEC no longer charges a multi-line business PICC, but the LEC's price cap common line revenues are less than its revenue requirements. Finally, Sprint sought clarification on two transport-related issues (1) how costs are to be removed from the TIC and recovered from the trunking charges for LECs that use density zone pricing, and (2) what rate changes were contemplated by the Commission with respect to the charges for common transport between a host switch and a remote switch. During the meeting, copies of the attached materials were used to illustrate some of the questions raised.

An original and one copy of this letter are being filed.

Respectfully submitted,


Richard Juhnke

Attachment

c: Richard Lerner
Douglas Slotten
Richard Cameron

Projected vs. Historical Demand

- A simplified example illustrates that the use of projected demand, but not projected costs, in the new structure robs the LEC of access line growth.

Projected Demand

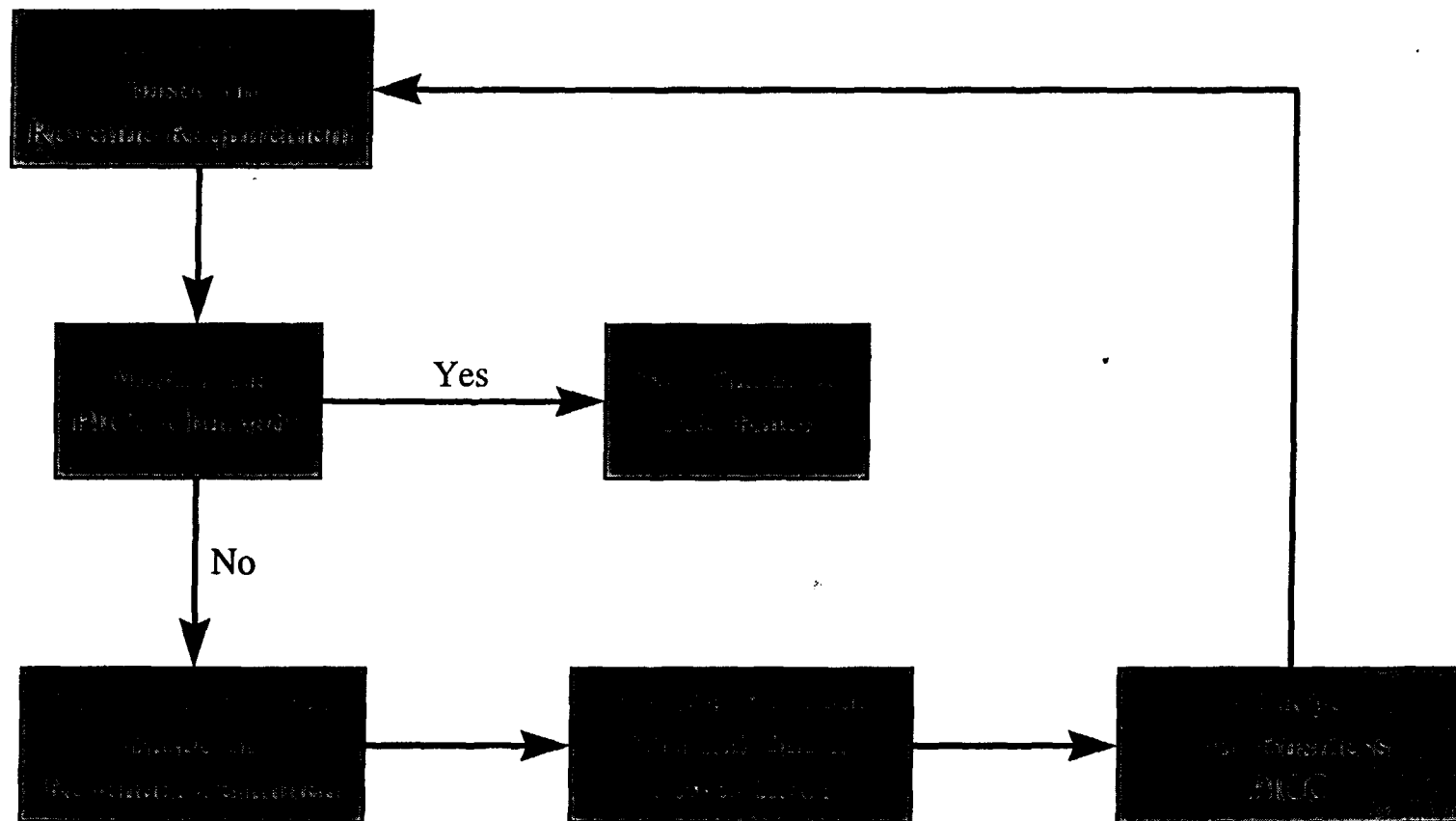
Base Period Revenue	\$1000	\$1000	\$1000	\$1000
Projected Demand	100	110	121	133
Common Line Pool/Line	<u>\$10</u>	<u>\$9.09</u>	<u>\$8.26</u>	<u>\$7.52</u>
Common Line Pool/Line	\$10	\$9.09	\$8.26	\$7.52
Actual Demand	100	110	121	133
Actual Revenue	<u>\$1000</u>	<u>\$1000</u>	<u>\$1000</u>	<u>\$1000</u>

Historical Demand

Base Period Revenue	\$1000	\$1099	\$1209	\$1330
Base Period Demand	91	100	110	121
Common Line Pool/Line	<u>\$10.99</u>	<u>\$10.99</u>	<u>\$10.99</u>	<u>\$10.99</u>
Common Line Pool/Line	\$10.99	\$10.99	\$10.99	\$10.99
Actual Demand	100	110	121	133
Actual Revenue	<u>\$1099</u>	<u>\$1209</u>	<u>\$1330</u>	<u>\$1462</u>

Basis for SLC Development

- Conditional use of projected annual revenue requirement for the End User Common Line Element (69.152(b)(1)) or projected annual revenues permitted for the common line basket (69.152(b)(2)) could lead to under-recovery of Common Line revenues.



Basis for SLC Development

- Based on the relationship of revenues to revenue requirement, SLC development could result in a continuous loop.

SLCs based on Revenue Requirement

Common Line Pool	\$1000
less: SLCs (Cost based = \$7.00/line)	\$700
less: Single Line PICCs	\$150
Non-Primary Res PICCs	\$150
Residual to MLB PICCs	\$ -0-

- SLCs must be revised since no common line revenue is recovered by MLB PICCs or MOU

SLCs based on Revenues

Common Line Pool	\$1000
less: SLCs (Revenue based = \$6.50/line)	\$650
less: Single Line PICCs	\$150
Non-Primary Res PICCs	\$150
Residual to MLB PICCs	\$50

- SLCs must be revised since a residual is left due to lower SLCs